

REPORT TO THE
SAN FRANCISCO BOARD OF SUPERVISORS
ON THE
COSTS AND BENEFITS OF THE PROPOSED
HOMEPORTING OF THE PACIFIC BATTLESHIP
SURFACE ACTION GROUP

BUDGET ANALYST FOR THE

SAN FRANCISCO BOARD OF SUPERVISORS

December, 1984

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BOARD OF SUPERVISORS

BUDGET ANALYST

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December 12, 1984

Honorable Richard Hongisto, Member
Board of Supervisors
Room 235, City Hall
San Francisco, California 94102

Dear Supervisor Hongisto:

In accordance with your request, transmitted herewith is the Budget Analyst's report on the costs and benefits of the proposed homeporting of the Pacific Battleship Surface Action Group. This Surface Action Group is expected to consist of the reactivated and modernized U.S.S. Missouri Battleship, escorted by a guided missile cruiser and several destroyers. Most of the costs were derived from the proposals submitted by the Mayor's Homeporting Task Force to the U.S. Navy. The benefits were based on data which were available from comparable Naval facilities and proposed homeporting activities.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Harvey M. Rose".

Harvey M. Rose
Budget Analyst

cc: President Nelder
Supervisor Britt
Supervisor Kennedy
Supervisor Kopp
Supervisor Maher
Supervisor Molinari
Supervisor Renne
Supervisor Silver
Supervisor Walker
Supervisor Ward
Clerk of the Board
Mayor Feinstein
Jim Lazarus
John Farrell

Introduction

At the direction of the Board of Supervisors the Budget Analyst has prepared this report on the projected costs and the associated benefits to be created by homeporting of the U.S. Navy's Pacific Battleship Surface Action Group (SAG) at the Hunters Point Naval Facility in San Francisco. While the specific ships have not been identified, the Pacific SAG configuration is expected to consist of the reactivated and modernized U.S.S. Missouri Battleship, escorted by a guided missile cruiser and several destroyers. The projected costs of the SAG were based primarily on those improvements, services and subsidies included in the proposal to the Pacific Fleet Battleship Homeporting Team, U.S. Department of the Navy submitted by the Mayor and the Mayor's Homeporting Task Force for the City and County of San Francisco on September 13, 1984. This cost review also included one subsequent proposal addendum and one letter submitted to the U.S. Navy on September 28 and November 6, 1984, respectively.

In contrast to the analysis of the projected costs, the associated benefits of the homeporting action were more difficult to derive because there are no comparable historical data currently available. Selected closings of military bases on the West Coast were used as a mirror representation of impacts to be generated by the opening of a new military facility. The Navy has also tentatively recommended that Staten Island, New York be the homeport for a comparable, yet larger Northeast Battleship SAG. The Draft Environmental Impact Statement (EIS) for the Stapleton - Fort Wadsworth Complex on Staten Island, New York was released in October 1984 and was used to derive many of the projected employment and economic impacts for San Francisco's homeporting action. In addition, several other U.S. Navy and Department of Defense reports were consulted and numerous persons were contacted as referenced on pages 17 and 18.

The costs and benefits outlined in this report should be considered to be of a preliminary nature. This is because precise data on the operating characteristics of the base are not known at this time. Furthermore, this report is the first attempt to tabulate the anticipated costs and the benefits of this homeporting action in San Francisco.

Background

The SAG proposed for the Pacific Battleship Fleet under consideration, includes the following five vessels:

- (1) Battleship
- (1) Guided Missile Cruiser
- (1) Guided Missile Destroyer
- (2) Destroyers

The Navy is presently evaluating the assignment of this SAG to one of the following three locations:

- San Francisco, California
- Long Beach, California
- Pearl Harbor, Hawaii

The Navy expects to make a tentative recommendation concerning the preferred location for this SAG during the week of December 17, 1984.

Following this recommendation, the Navy will contract for the preparation of a Draft Environmental Impact Statement, which is expected to take approximately one year to complete. This report will detail the proposed action and the impacts of the proposed action as well as feasible alternatives. The Table of Contents from the Staten Island, New York Draft EIS is on pages 19 through 22, to provide an understanding of the breadth of topics to be covered in this later analysis.

Following the release of the Draft EIS, public hearings will be held. Based on those comments, a final EIS would be prepared and a final site recommendation would be made by the Navy. The arrival of the vessels at their permanent Pacific homeport is projected to occur by 1990, depending on the availability of support facilities.

Summary and Conclusions

Our review of the costs and benefits associated with the homeporting of the Pacific Battleship SAG at Hunters Point Naval Facility found the following:

Total Costs to San Francisco

One Time Cost	\$3,353,750
Annual Costs	\$1,626,363

Total Annual Benefits to San Francisco

Direct Military and Civilian Employment	4,322
Indirect Regional Employment	1,611 - 2,581
Economic Benefits for San Francisco	\$347,325 - \$506,700*

Total Regional Economic Impact **\$34,900,000 - \$36,300,000***

As detailed in our report, one-time costs consist of initial dredging of the Bay to accommodate the deep water vessels and street resurfacing and improvements in the vicinity of the Hunters Point shipyard. Annual costs include dredging maintenance activities, MUNI transit services into the Naval base, fire protection back-up support and housing coordination and liaison functions. Not included in these costs are the estimated \$11.3 to \$17.8 million in right-of-way and construction costs for ramps to Interstate 280 at Evans Avenue and Islais Creek, the costs for granting waivers for naval personnel to cross the Bay and Golden Gate Bridges, the costs for any additional school programs, the police and safety costs for quelling any demonstrations or disturbances generated by the homeporting action and any relocation assistance costs. These costs were not included in the above totals because they either are costs to be incurred by agencies or jurisdictions other than the City or County of San Francisco or because these costs cannot be determined at the present time.

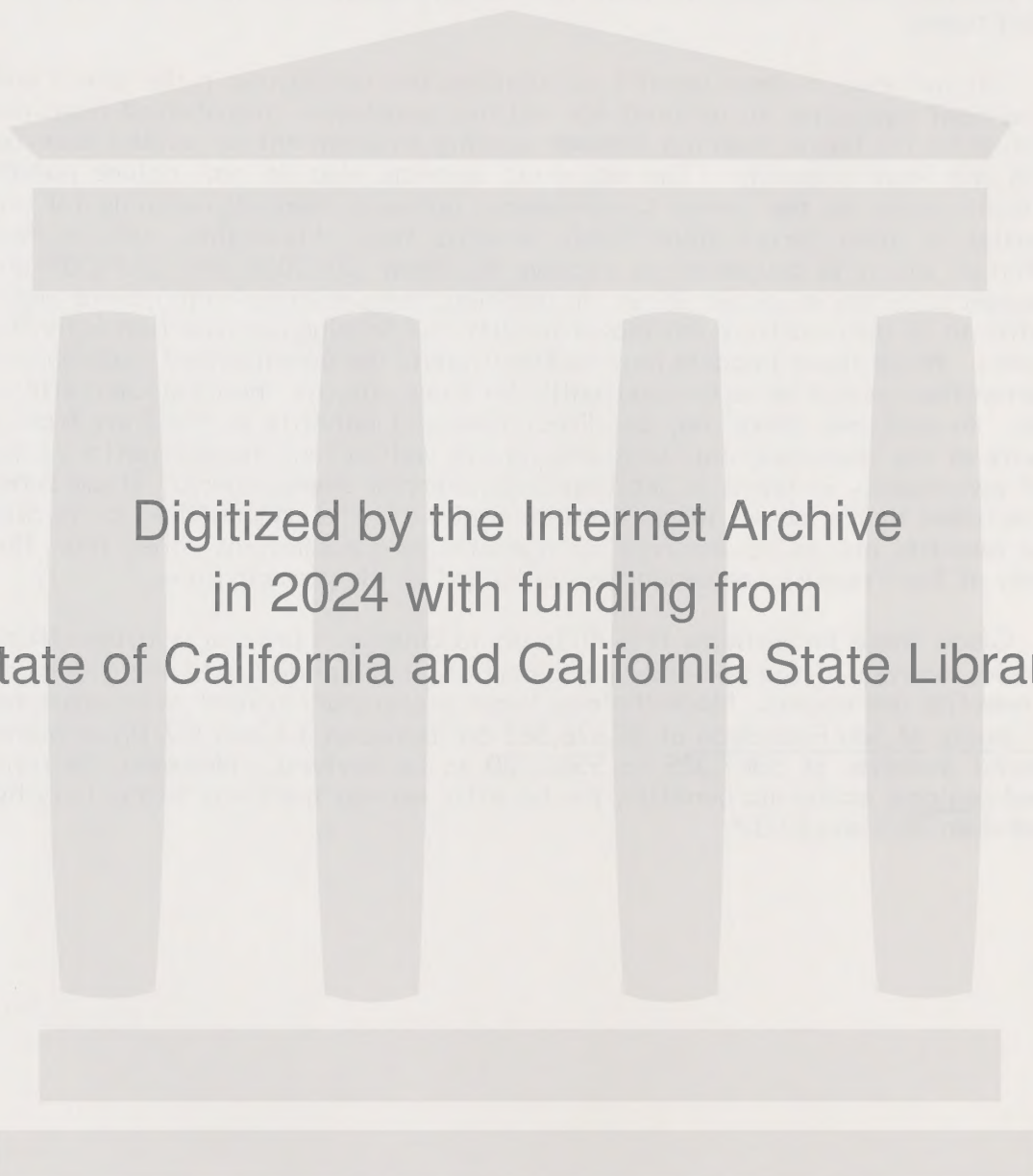
*Updated figures to reflect payroll and gross receipts taxes of 1.4 percent to the City and County of San Francisco and to adjust Regional Economic Impact to latest estimates.

The annual benefits include direct employment of Naval personnel on board vessels and ashore and projections for civilian employment as well as indirect employment in the areas of ship maintenance and repairs, tugboat services, base procurement, vendor activities and individual military personnel activities. These same direct and indirect employment sectors were also used to generate San Francisco's regional and municipal economic benefits. The economic benefits accruing directly to the City and County of San Francisco include revenues from real estate taxes, sales taxes and payroll and gross receipt taxes.

Not included in these benefit calculations are reductions in the direct and indirect employment estimates to account for military employees transferred from neighboring facilities or for Naval working spouses seeking employment in related base services or within the local economy. The economic impacts also do not include potential local wholesale sales to the Naval Commissary, national competitive bids for ship repair activities or other jurisdictions' likely benefits from this action, such as the State of California which is projected to receive between \$342,000 and \$408,500 annually in increased sales tax revenues alone. In addition, the one-time employment and economic benefits to be derived from any Naval facility and housing construction activities are not included. While these impacts may be significant, the construction costs and related job opportunities cannot be estimated until the Navy surveys their selected site in greater detail. In addition, there may be direct financial benefits to the Port from increased activity at the Hunters Point Naval shipyard as well as long-term benefits to the Hunters Point community, in terms of increased commercial development. These benefits were not included in the above totals because similar to the unquantified costs cited above, these benefits are to be incurred by agencies or jurisdictions other than the City or County of San Francisco or cannot be quantified at the present time.

Given these limitations, it is difficult to develop a precise cost/benefit ratio. For example, analysis of the one-time costs cannot be completed until the construction costs and benefits are known. Nevertheless, these preliminary annual total costs to the City and County of San Francisco of \$1,626,363 are between 3.2 and 4.7 times more than the financial benefits of \$347,325 to \$506,700 to be derived. However, in terms of the annual regional economic benefits, the benefits exceed the costs to the City by a factor of between 21.5 and 22.3.*

* Updated figures to reflect payroll and gross receipts taxes of 1.4 percent to the City and County of San Francisco and to adjust Regional Economic Impact to latest estimates.



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**ANALYSIS OF COSTS FOR HOMEPORTING
THE PACIFIC FLEET BATTLESHIP SURFACE ACTION GROUP**

<u>Item and Description</u>	<u>Annual Costs To San Francisco*</u>
Dredging	\$2,328,750**
- Port of San Francisco will initially dredge and annually maintain:	\$675,000
(a) A berth between Berths # 1-17 at depth of 45' at extreme low water to accommodate a battleship.	
(b) Two berths between Berths # 1-17 at 35' to accommodate 2 destroyers.	
(c) Two berths between Berths # 1-17 at 30' to accommodate a guided missile destroyer and a guided missile cruiser.	

Comments

The costs for the preliminary dredging are intended to be a maximum amount. The initial proposal included \$1 million in preliminary dredging costs which were insufficient for Navy needs.

Street and Highway Improvements

- The City will request Caltrans to use \$6,000,000 to \$8,000,000 in State Highway funds to construct ramps to Interstate 280 at Evans Avenue -Islais Creek.

Comments

More current Caltrans estimates indicate the costs would range from \$11.3 to \$17.8 million, or approximately double of what was projected in the homeporting proposal. The California Transportation Commission allocates funds based on formula, with 40 percent of its funds earmarked for northern California. A determination of State/local expenditures for such a project have not been made.

- Resurface Hunters Point Boulevard from Jennings Street to Innes Avenue and plant 50 trees on northeast sidewalks. \$138,000**

* Based on the Mayor's Homeporting Task Force Proposal.

** One-time expenditure.

Item and Description

Annual Costs To San Francisco*

- Resurface Innes Avenue between Hunters Point Boulevard and the Main Shipyard Gate, construct curbs, construct north sidewalk and plant 100 trees on north sidewalk. \$387,000**

Comment

These City streets are not currently up to standards. One time funding would be required to bring streets up to City standards such that the City would assume maintenance responsibility. Would also be eligible for Community Development Block Grant Funding.

- Construct pavement and curbs on Griffith Street between Shafter and Thomas Avenues and on Thomas Avenue between Griffith and Hawes Streets. Resurface Carroll Avenue between Ingalls and Third Street. Install pavement markings and route signings. \$500,000**
- All streets in vicinity of Hunters Point shipyard will be kept in good repair. -

Comments

Repairs would be included as part of DPW's maintenance program. No significant additional costs projected.

Public Transportation

- Extend MUNI's 19-Polk line from the U.S. Post Office facility on Evans into the base: 7 days/week. \$240,000
- Extend 10-Monterey from Bayshore and Industrial into the base: provide sufficient frequency service to handle the base's public transportation needs. \$570,000
- Caltrans to locate a train station on the Peninsula commute line at Palou Avenue. -

Comments

Caltrans currently has no plans for such a station. However, if demand warranted, this could change and would be subject to negotiation. Costs are not known at this time.

*Based on the Mayor's Homeporting Task Force Proposal.

** One-time expenditure.

**Annual Costs
To San Francisco***

Item and Description

Related Transportation

- Request waiver of Golden Gate Bridge, Highway and Transportation District and State Toll Bridge Authority tolls for naval personnel assigned to Hunters Point Naval Station. -

Comments

Navy, military and civilian employees on official business and/or residing on Treasure Island currently receive trip tickets enabling free passage on the Golden Gate and Bay Bridges. Based on the current monthly distribution, the estimated annual number of tickets issued and costs are as follows:

	<u>Tickets Issued</u>	<u>Toll Charge</u>	<u>Ticket Value</u>
Golden Gate Bridge	7,200	\$1.00	\$7,200
Bay Bridge	420,000	\$.75	\$315,000
Total	<u>427,200</u>		<u>\$322,200</u>

No estimates are available on the number and associated costs of Hunters Point naval personnel requiring transbay tickets. Whether a waiver is granted or denied there should be no costs to the City of San Francisco.

Schools

- San Francisco's Unified School District will provide additional alternative programs if the number of school-age children is sufficient. -

Comments

The costs to the School District cannot be estimated until the number of students and type of programs required are known.

Fire Protection

- (1) Provide assistance as required and reserve units to replace out of service Navy units using existing facilities at no cost to the Navy. This is current practice at Treasure Island and the Presidio; or \$50,000
- (2) The Navy would contract out firefighting services, to provide the assistance described above for a fee to be determined by a contractor and the City.

*Based on the Mayor's Homeporting Task Force Proposal.

Comments

The proposal assumes that the Navy would operate a Fire Station at the Hunters Point facility.

Police Protection

- San Francisco is prepared and equipped to provide necessary police services. It is anticipated that no additional costs would be involved. -

Comments

Navy must provide its own security and police protection on Naval federal property. State penal code inapplicable. No additional San Francisco Police Department facilities or services are proposed.

Housing

- To coordinate site planning, developer selection, land disposition agreements and construction monitoring for private development of 1,500-2,000 housing units. Would require 1 additional staff person in Mayor's Office @ 2,235 hours + City Planning @ 400 hours + City Attorney @ 185 hours. \$69,733

Comments

Additional annual cost, beyond those costs contained in the Mayor's proposal, of \$3,683 for staff fringe benefits omitted for a total annual cost of \$69,733.

Employment

- Funding to provide employment assistance to the Bayview-Hunters Point Job Placement Services and tailoring of the Private Industry Council's occupational training programs to meet Navy job requirements. No additional cost anticipated for San Francisco. -

Comments

Currently no formal organizational structure, such that the Private Industry Council cannot specify job needs, requirements or costs associated. Federal/State JTPA funds would be used.

*Based on the Mayor's Homeporting Task Force Proposal.

**Annual Costs
To San Francisco***

Community Services

- | | |
|--|-----------------|
| - Establish Task Force to assist in housing and establish community programs for participation by Navy families. | Negligible Cost |
| - Designate a half-time position on the Mayor's staff to act as liaison to improve communication and monitor Navy needs. | \$21,630 |

Comments

Additional annual cost, beyond those costs included in the Mayor's proposal, of \$630 for staff health benefits omitted for a total annual cost of \$21,630.

- | | |
|--|---|
| - Mayor's Office of Housing and Economic Development will assist in relocating existing non-maritime tenants to accommodate housing and other needs. This includes developing space need plans, searching for available properties and assisting in negotiating new rental space agreements. | - |
|--|---|

Comments

Mayor's Office is unable to determine costs until number of tenants and specific needs are identified.

- | | |
|--|---|
| - Assist in securing any necessary easements for constructing a fuel oil pipeline. | - |
|--|---|

Comments

Minimal Real Estate Department staff time; no additional employees required.

TOTAL ONE-TIME COST TO SAN FRANCISCO	\$3,353,750
TOTAL ANNUAL COSTS TO SAN FRANCISCO	\$1,626,363

*Based on the Mayor's Homeporting Task Force Proposal.

ANALYSIS OF BENEFITS FOR HOMEPORING
THE PACIFIC FLEET BATTLESHIP SURFACE ACTION GROUP

<u>Item and Description</u>	<u>Estimated Annual Impacts</u>
<u>Construction Activities</u>	
Direct Impacts	Unknown
Indirect Multiplier	1.6 - 1.8
Indirect Impacts	Unknown

Comments

For the homeporting of the Naval Surface Action Group in New York it is estimated that a capital expenditure of approximately \$282 million dollars will occur between January 1986 and November 1989, if all Naval homeporting facility requirements are constructed. This does not include construction of any housing facilities for Navy personnel. This estimate includes approximately 30 percent or \$84.5 million for direct labor costs. Based on an estimated gross wage per employee of \$17.25 per hour and an average person month of 175 working hours results in 2,340 full-time equivalent jobs over the 4-year construction period. Although this translates into 585 annual full-time equivalent jobs, labor requirements will vary over the course of the construction period, with peak demand occurring in the second and third years and during the nine-month period from March through November.*

Although a significant number of construction jobs would be generated as a result of the homeport base construction in San Francisco the Navy has reported that construction costs (and related job opportunities) cannot be estimated until potential ports are surveyed.** Thus, it is impossible to extrapolate the N.Y. experiences to San Francisco until the type of marine and onshore facilities and

* U.S. Department of the Navy. "Draft Environmental Impact Report, Surface Action Group Homeporting: Stapleton-Fort Wadsworth Complex, Staten Island, New York." October, 1984. pgs. 4.13-4.16.

** Secretary of the Navy, U.S. Department of the Navy. Release on Pacific Homeporting, July 6, 1984.

housing construction needs are identified by the Navy. Based on other areas' experiences it is estimated that the Navy's on-base construction impacts for San Francisco would be between 1.6 and 1.8.* Thus, for each \$1.00 actually spent on direct construction activities, an additional \$.60 to \$.80 would be generated in the local economy.

It is also assumed that approximately 30 percent of the construction costs would be for direct labor. Depending on the availability of skilled workers in San Francisco and the Bay Area and the Navy's timing requirements, it is likely that the majority of these temporary construction jobs could be filled by persons in the region. Thus, once the level of construction activity in terms of facilities and costs are known for San Francisco, the anticipated impacts for the local employment and fiscal economy can be projected.

Estimated
Annual Impacts

Employment

Direct Impacts

Naval Ship Personnel	2,912
Naval Military Ashore	660
Civilian Employees	<u>750</u>
Total	4,322
Navy Dependents	3,850

Comments

After construction, the homeported facility will employ an estimated 3,572 direct Naval personnel both on board vessels and ashore. Approximately 82 percent (2,912) of these employees will be on board the vessels. This will have significant fluctuating impacts on local goods and services that are dependent on Naval activities. Vessels are estimated to be in their homeports less than 50 percent of the time, with the vessels typically going out to sea for extended periods of time.

*Based on U.S. Department of Defense, "Modelling the Regional Economic Impacts of Major New Military Bases", preliminary findings from homeporting activities in Everett, Washington and Staten Island, New York and conversations with Joe Cartwright, Office of Economic Adjustment, U.S. Department of Defense.

To date, the Navy has not provided projections of civilian employment. Based on New York's calculations for homeporting a SAG in Staten Island, a 21 percent civilian employment to direct Naval employment ratio is projected, or approximately 750 civilian employees for San Francisco. (Civilian employees include contract services). This would result in a gain of 4,322 direct annual jobs from the San Francisco homeporting action.

In New York, the total number of direct jobs included those jobs which would be transferred from a neighboring Naval facility (i.e. Brooklyn Navy Yard). Thus although this is not yet known, some of the jobs projected for San Francisco may be employees transferred from neighboring military facilities (e.g. Alameda, Treasure Island, Mare Island, etc.). Such action, while increasing the total employment base in San Francisco, would have a smaller net employment effect on the Bay Area region.

In addition to those directly engaged in Navy employment, experience elsewhere has shown that the spouses of accompanied Navy personnel can also be expected to seek employment in related base services (e.g. administrative or support staff, commissaries, etc.) or within the local economy. Navy-wide empirical data indicate that the proportion of working spouses ranges from approximately 40 to 54 percent. Although the Navy estimates that 3,850 dependents would be involved with the proposed homeporting activity, the Navy's Request for Proposal (RFP) does not provide a breakdown of the number of spouses, children and other dependents. The net increase, once working spouses and any transferred military positions have been accounted for may decrease the number of civilian and indirect jobs which would be available for local residents. The degree and significance of these impacts are not known at the present time and thus cannot be factored into this analysis.

Indirect Employment

Employment associated with the homeporting action will generate indirect, or secondary impacts. These indirect jobs result from the successive multiplications that occur in the regional economy. Based on other areas' experiences the indirect employment attributable to homeporting of a Battleship Surface Action Group has been projected to occur in the following four major areas:

- 1 - Ship Maintenance and Repairs
- 2 - Tugboat Services
- 3 - Base Procurement and Vendor Activities
- 4 - Individual Personnel Activities

- **Ship Maintenance and Repairs**

- o **Employment Impacts** 224-300 jobs
- o **Annual Payroll Impacts** \$5,600,000 - \$7,500,000
- o **Regional Economic Impacts** \$18,700,000

Comments

Ship maintenance and repair includes both the less extensive maintenance required at approximately 1 1/2 year intervals and the more extensive overhaul every 5-7 years. Applying the New York data and costs by ship type in relation to the SAG proposed for San Francisco results in the following:

<u>Vessel</u>	<u>Frequency of Maintenance (years)</u>	<u>Cost (millions)</u>	<u>Frequency of Overhaul (years)</u>	<u>Cost (millions)</u>
Battleship	3	\$ 20.0	7	\$140
Guided Cruiser	2	6.0	5	45
Guided Destroyer	3	3.2	6	34
Destroyer	2	4.7	6	37

These repairs would require from 3 months to one year to complete, depending on the vessel and the type of scheduled repairs. Given these schedules and average costs it is estimated that in any given year the cost (in 1985 dollars) would be as follows:

<u>Annual Costs</u>	
Battleship	\$ 26.7
Guided Cruiser	12.0
Guided Destroyer	6.8
Destroyer*	17.0
Total	<u>\$62.5</u>

In accord with Navy policy approximately 30 percent of these repairs can be expected to be undertaken within the San Francisco Bay Area. This would add approximately \$18.75 million to the local ship repair and maintenance economy. With labor comprising from 30 to 40 percent of the costs, from \$5.6 to \$7.5 million in direct payroll is projected. Using an average annual salary of \$25,000 per person would result in between 224 and 300 new jobs per year. In addition to this 30 percent, local ship maintenance and repair contractors can bid competitively with other Western ship repair firms for additional work. Although indeterminable at this point, successful bids could result in additional employment, payroll and economic benefits for the region.

* Covers the cost of two vessels in this category.

- **Tugboat Services**
 - o **Employment Impacts** **Negligible**
 - o **Fiscal Impacts** **Negligible**

Comments

Tugboat Services include towing and pilotage services necessary for transporting Naval vessels in and out of the San Francisco Bay. Currently, the Navy has three tugboats and three pilots stationed in the San Francisco Bay Area and contracts with local tug companies and Bar Pilots on a very infrequent basis. Unless there is a change in this policy, the Navy does not anticipate needing to rely on local private tug or pilotage services.

- **Base Procurement and Vendor Activities**
 - o **Employment Impacts** **90 - 120 jobs**
 - o **Annual Payroll Impacts** **\$1,800,000**
 - o **Regional Economic Impacts** **\$9,000,000**

Comments

Base procurement and vendor activities are those goods and services the naval base will require to maintain its ongoing functions and activities. This would include fuel, equipment, supplies, spare parts, food, maintenance expendables and other consumables. Applying 75 percent of the New York SAG example (based on the ratio of the number of vessels and the total number of military personnel envisioned) San Francisco could expect its SAG to expend approximately \$58 million annually. It is further estimated that approximately 15 percent or \$9 million of these goods and services would be procured in the San Francisco Bay Area each year (based on 1984 dollars). Assuming local labor comprises 20 percent of these goods and services, an added annual payroll of \$1.8 million would be supported. At an average salary range of from \$15,000 to \$20,000, between 90 and 120 jobs could be created.

- **Individual Personnel Activities**
 - o **Employment Impacts** **1,297 - 2,161**
 - o **Regional Economic Impacts** **\$7,200,000 - \$8,600,000***

* Updated to adjust Regional Economic Impacts to latest estimates.

Comments

The Navy has estimated that the assignment of this Battleship Surface Action Group would bring an estimated gross annual military payroll of \$50 - \$60 million to the homeport region.* It is estimated that approximately 80 percent or \$40 - \$48 million dollars of this amount would be aggregate expendable income for military personnel. Of this amount, approximately 30 percent or \$12 - \$14.4 million would be spent on various retail goods and services each year.

A reduction of this impact on private retail sales is necessary as a substantial portion of this amount would not flow back into the local retail economy due to the following factors:

- Personnel on shipboard duty will only be in the San Francisco base approximately half of the time.
- Voluntarily separated personnel (i.e. personnel whose families have chosen to remain elsewhere) may expend a larger portion of their incomes elsewhere.
- A significant level of retail expenditures will be made through Naval Exchange and Commissary facilities. Products are purchased competitively by the Exchanges and Commissaries such that local wholesalers could benefit from these sales. No estimate of the level of such sales or the multiplier impact on the local community can be made at this time.

Based on other jurisdictions' experiences, these factors can be assumed to reduce local private retail sales by approximately 40 percent, or \$4.8 - \$5.8 million in San Francisco. The remaining 60 percent would result in an estimated annual retail sales impact of \$7.2 - \$8.6 million on the local private economy.

A breakdown of the anticipated private expenditures in the three major sectors of retail goods and services are as follows:

<u>Retail Trade and Services</u>	<u>Percent of Retail Goods and Services</u>	<u>Estimated Retail Sales (\$ million)</u>
General Merchandise Apparel and Furniture	47	\$3.4 - \$4.0
Convenience Goods and Services	23	\$1.7 - \$2.0
Food and Related Staples	<u>30</u>	<u>\$2.1 - \$2.6</u>
	100	\$7.2 - \$8.6

* Secretary of the Navy, U.S. Department of the Navy. Release on Pacific Homeporting. July 6, 1984.

Based on the experiences in other areas, the new indirect employment multiplier ranges from 1.3 to 1.5. Given a direct military and civilian employment of 4,322 jobs, between 1,297 and 2,161 other indirect civilian jobs could thus be generated. These jobs would occur throughout the local and regional economy. Annual payroll impacts cannot be estimated at this time.

Fiscal Impacts on San Francisco

In addition to the above cited jobs and economic impacts generated by the homeporting action, the SAG Base in Hunters Point could generate significant municipal economic benefits.*

-Real Estate Tax Revenues

Negligible

Comments

Real estate taxes generated by SAG personnel would result from new housing purchases and housing rentals, that are not located on federal Naval property. Given the high costs and low vacancy rates in San Francisco, the City has proposed the private development of between 1,500 and 2,000 housing units on the Naval Yard. While it is not likely that all personnel would reside on this federal base, given the Navy's housing allowance and the above cited factors, revenues generated by real estate taxes are projected to be negligible.

-Sales Tax Revenues

\$70,125 - \$82,500

Sales taxes are not paid on goods purchased in Base Exchanges or Commisaries. Thus, sales tax revenues would only be based on the above estimated \$7.2 - \$8.6 million in annual private retail sales. Using San Francisco and Alameda County's current 1.375 percent municipal sales tax (based on the existing 6 percent sales tax which returns 1.25 to each municipality and BART's .5 percent sales tax which returns .125 to each local municipality), it is estimated that such retail sales would generate approximately \$70,125 to \$82,500 annually as shown below:

*Based on other jurisdictions' projections, state fiscal impacts, in terms of additional personal income tax and sales tax revenues, would also occur. Personal income tax revenues will depend on the population of the base personnel, the annual earnings for individual Naval officers, enlisted personnel and households as well as the actual number of SAG personnel who become residents of California and the San Francisco Bay Area. Precise categories of personnel and pay scales and assumptions of residency cannot be calculated with any degree of precision, at this time. Based on the following retail sales tax analysis for San Francisco, annual state sales tax revenues are estimated to be \$342,000 to \$408,500.

<u>Retail Trade and Services</u>	<u>Estimated Annual Retail Sales (millions)</u>	<u>Estimated Annual Sales Taxes)</u>
General Merchandise, Apparel and Furniture	\$3.4 - \$4.0	\$46,750 - \$55,000
Convenience Goods and Services	\$1.7 - \$2.0	\$23,375 - \$27,500
Food and Related Staples	<u>\$2.1 - \$2.6</u>	<u>\$ 0</u>
	\$7.2 - \$8.6	\$70,125 - \$82,500
- Payroll and Gross Receipts Taxes	\$277,200 - \$424,200*	

The Federal Government is not subject to the City's payroll and gross receipts taxes. However, ship maintenance and repair contractors, suppliers and vendors serving the Hunters Point facility and employers of other indirect jobs (created within San Francisco) would be subject to these taxes. The Budget Analyst has estimated the extent to which these payrolls would be subject to the City's payroll tax as follows:

	<u>Ship Maint. & Repair (millions)</u>	<u>Suppliers and Vendors (millions)</u>	<u>Other Indirect (millions)</u>	<u>Total (millions)</u>
Total Estimated Payroll	\$5.6-\$7.5	\$1.8-\$1.8	\$25.9-\$43.2	\$33.3-\$52.5
Percent Within San Francisco	100	75	50	
Amount Within San Francisco	\$5.6-\$7.5	\$1.2-\$1.2	\$13.0-\$21.6	\$19.8-\$30.3

Based upon these estimates of \$19.8 to \$30.3 million in increased payroll dollars within San Francisco, and the current payroll tax rate of 1.4 percent (or approximately equivalent gross receipts taxes) between \$277,200 and \$424,200 in increased revenues to the City should result annually.*

Total Annual Benefits to San Francisco

Direct Military and Civilian Employment	4,322
Indirect Regional Employment	1,611 - 2,581
Regional Economic Impact	\$34,900,000 - \$36,300,000*
Fiscal Impact on San Francisco	\$347,325 - \$506,700*

* Updated figures to reflect payroll and gross receipts taxes of 1.4 percent to the City and County of San Francisco and to adjust Regional Economic Impact to latest estimates.

PERSONS CONTACTED

Clarence Briggs, Secretary-Treasurer, Bay City Metal Trades Council

Captain Brush, San Francisco Police Department

Joe Cartwright, Office of Economic Adjustment, Office of the Secretary of Defense,
U. S. Department of Defense

Charles Cresci, Deputy Chief of Operations, San Francisco Fire Department

Charles Ellington, Western Regional Director, Office of Economic Adjustment, U.S.
Department of Defense

Commander Gorell, Navy Western Field Division, U. S. Department of the Navy

Robert Hayden, San Francisco Chamber of Commerce

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Bruce Rupp, City Manager, City of Alameda

Barbara Smith, Mayor's Office of Housing and Economic Development, City and County
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Table of Contents

		<u>Page</u>
CHAPTER 1	PURPOSE AND NEED	1-1
CHAPTER 2	PROPOSED ACTION AND ALTERNATIVES	
2.1	<u>Definition of Alternatives</u>	2-1
2.1.1	Battleship Surface Action Group	2-1
2.1.2	Homeport Site Selection	2-1
2.1.3	Proposed Action	2-3
2.2	<u>Comparison of Alternatives</u>	2-17
2.2.1	Approach	2-17
2.2.2	Operational Comparisons	2-20
2.2.3	Comparison of Environmental Consequences	2-23
CHAPTER 3	EXISTING ENVIRONMENT	
3.1	<u>Stapleton/Fort Wadsworth</u>	3-1
3.1.1	Geology and Geohydrology	3-1
3.1.2	Climate and Meteorology	3-4
3.1.3	Estuarine hydraulics and Water Quality	3-6
3.1.4	Wildlife	3-15
3.1.5	Land Use	3-30
3.1.6	Community Facilities	3-41
3.1.7	Population	3-52
3.1.8	Household, Employment and Housing Characteristics	3-52
3.1.9	Cultural Resources	3-66
3.1.10	Visual Quality	3-82
3.1.11	Transportation	3-87
3.1.12	Air Quality	3-92
3.1.13	Noise	3-96
3.1.14	Utilities and Energy Consumption	3-100
3.1.15	Navigation	3-105
3.2	<u>Boston Army Base</u>	3-109
3.2.1	Geology and Geohydrology	3-109
3.2.2	Climate and Meteorology	3-111
3.2.3	Hydraulics and Water Quality	3-112
3.2.4	Ecology	3-115
3.2.5	Population Land Use and Community Facilities	3-116
3.2.6	Households and Housing	3-133
3.2.7	Cultural Resources	3-135

3.2.8	Visual Quality	3-136
3.2.9	Transportation	3-136
3.2.10	Monitored Air Quality	3-137
3.2.11	Noise	3-140
3.2.12	Utilities and Energy Consumption	3-140
3.3	<u>Rhode Island</u>	3-142
3.3.1	Geology and Geohydrology	3-142
3.3.2	Climate and Meteorology	3-145
3.3.3	Hydraulics and Water Quality	3-146
3.3.4	Ecology	3-149
3.3.5	Population, Land Use and Community Facilities	3-153
3.3.6	Population, Households and Housing	3-169
3.3.7	Cultural Resources	3-171
3.3.8	Visual Quality	3-172
3.3.9	Transportation	3-273
3.3.10	Monitored Air Quality	3-173
3.3.11	Noise	3-177
3.3.12	Utilities and Energy Consumption	3-177

CHAPTER 4 IMPACTS OF THE PROPOSED ACTION

4.1	<u>Impacts of Construction</u>	4-1
4.1.1	Soils and Groundwater	4-5
4.1.2	Water Quality	4-5
4.1.3	Ecology	4-9
4.1.4	Land Use, Community Facilities and Population	4-12
4.1.5	Economics	4-13
4.1.6	Cultural Resources	4-16
4.1.7	Visual Character	4-18
4.1.8	Traffic	4-18
4.1.9	Air Quality	4-19
4.1.10	Noise	4-20
4.1.11	Utilities, Water and Energy Consumption	4-20
4.2	<u>Impacts of Operation</u>	4-21
4.2.1	Soils and Groundwater	4-21
4.2.2	Water Quality	4-21
4.2.3	Ecology	4-25
4.2.4	Land Use	4-26
4.2.5	Community Facilities and Services	4-32
4.2.6	Population	4-40
4.2.7	Housing	4-47
4.2.8	Economics	4-59
4.2.9	Fiscal	4-66
4.2.10	Cultural Resources	4-82
4.2.11	Visual Character	4-83
4.2.12	Transportation	4-85
4.2.13	Air Quality	4-115

4.2.14	Noise	4-127
4.2.15	Water Consumption, Utilities and Energy Use	4-129
4.2.16	Navigation and Safety	4-139
4.3	<u>Impacts of Dredged Material Disposal</u>	4-145
CHAPTER 5	IMPACTS OF FEASIBLE ALTERNATIVES	
5.1	<u>Boston Army Base</u>	5-1
5.1.1	Geology and Geohydrology	5-1
5.1.2	Water Quality	5-1
5.1.3	Ecologye	5-2
5.1.4	Population, Land Use and Community Facilities	5-4
5.1.5	Housing, Economics and Fiscal Effects	5-13
5.1.6	Cultural Resource	5-18
5.1.7	Visual Character	5-19
5.1.8	Transportation	5-19
5.1.9	Air Quality	5-21
5.1.10	Noise	5-21
5.1.11	Utilities and Energy Consumption	5-22
5.1.12	Safety	5-25
5.1.13	Construction Costs	5-25
5.2	<u>Rhode Island</u>	5-26
5.2.1	Geology and Geohydrology	5-26
5.2.2	Water quality	5-26
5.2.3	Ecologye	5-27
5.2.4	Population, Land Use and Community Facilities	5-29
5.2.5	Housing, Economics and Fiscal Effects	5-38
5.2.6	Cultural Resources	5-46
5.2.7	Visual Character	5-48
5.2.8	Transportation	5-48
5.2.9	Air Quality	5-50
5.2.10	Noise	5-51
5.2.11	Utilities and Energy Consumption	5-51
5.2.12	Safety	5-52
5.2.13	Construction Costs	5-55
CHAPTER 6	IRREVERSIBLE AND IRRETRIEVABLE COMMITMENT OF RESOURCES	6-1
CHAPTER 7	RELATIONSHIP BETWEEN LOCAL SHORT-TERM USE OF MAN'S ENVIRONMENT AND ENHANCEMENT OF LONG-TERM PRODUCTIVITY	7-1

CHAPTER 8	RELATIONSHIP OF PROPOSED ACTION TO LOCAL, STATE, AND FEDERAL POLICIES, PLANS AND PROGRAMS	8-1
CHAPTER 9	UNAVOIDABLE IMPACTS AND MITIGATION	9-1
CHAPTER 10	LIST OF PREPARERS	10-1
CHAPTER 11	REFERENCES	11-1
APPENDIX A	COASTAL ZONE MANAGEMENT PROGRAM	A-1
APPENDIX B	PLACEMENT OF DREDGE AND FILL MATERIAL	B-1
APPENDIX C	CULTURAL RESOURCES SURVEY	C-1
APPENDIX D	BIOASSAY/BIOACCUMULATION TEST RESULTS	D-1

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